



COMPLIANCE TIDBIT
By Kim Slote, policy analyst

Cohort Default Rates

The U.S. Department of Education released fiscal year 2011 three-year draft cohort default rates on [Feb. 18, 2014](#). The release of these confidential draft rates marks the completion of the transition from two-year to three-year CDRs. Benefits of low rates and sanctions for high rates are no longer determined by a school's two-year CDR(s). Beginning with the publication of the third, official three-year CDRs in September 2014, benefits and sanctions will be based on a school's three-year rates alone.

To prepare for the release of official FY 2011 three-year CDRs in September, it is very important to closely review the data used to calculate the draft rates. Schools should compare the information in the Loan Record Detail Report to their own records to identify any discrepancies.

In addition to continued participation in the Direct Loan and Pell Grant Programs, benefits for institutions with low CDRs are shown in this chart.

Eligible School	Benefits
A school whose most recent official cohort default rate is less than 5.0 percent and is an eligible home institution that is originating loans to cover the cost of attendance in a study abroad program	May disburse loan proceeds in a single installment to a student studying abroad regardless of the length of the student's loan period. May choose not to delay the disbursement of the first installment of loan proceeds for first-year first-time borrowers studying abroad.
A school with a cohort default rate of less than 15.0 percent for each of the three most recent fiscal years for which data are available, including eligible home institutions and foreign institutions,	May disburse, in a single installment, loans that are made for one semester, one trimester, one quarter, or a four-month period. May choose not to delay the first disbursement of a loan for 30 days for first-time, first-year undergraduate borrowers.

Sanctions specified by Section 435 of the Higher Education Act and the implementing regulations in Subpart N of the Student Assistance General Provisions are as follows:

- Cohort default rate of greater than 40 percent for any one year – Institution loses eligibility to participate in the Direct Loan Program.



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- Cohort default rate of 30 percent or more for any one year – Institution must create a default prevention taskforce that will develop and implement a plan to address the institution's high cohort default rate. The plan must be submitted to the USDE for review.
- Cohort default rates of 30 percent or more for two consecutive years – Institution must submit to the USDE a revised default prevention plan and may be placed on provisional certification (For the impact to an institution of being placed on provisional certification see 34 CFR 668.13).
- Cohort default rates of 30 percent or more for the three consecutive years – Institution loses eligibility to participate in both the Direct Loan Program and the Federal Pell Grant Program.

Also included in the HEA and the regulations, are provisions that allow institutions to submit challenges, requests for adjustments and appeals to an institution's possible loss of Direct Loan and Pell Grant eligibility resulting from sanctions due to high CDRs. In Attachment A to Dear Colleague Letter [GEN-14-03](#) published by the USDE Feb. 27, 2014, the USDE provided a summary of the various challenges, adjustments and appeals available to institutions listed here.

- Incorrect Data Challenge – 34 CFR 668.204(b)
- Participation Rate Index Challenge – 34 CFR 668.204(c)
- Uncorrected Data Adjustment – 34 CFR 668.209
- New Data Adjustment – 34 CFR 668.210
- Erroneous Data Appeal – 34 CFR 668.211
- Loan Servicing Appeal – 34 CFR 668.212
- Economically Disadvantaged Appeal – 34 CFR 668.213
- Participation Rate Index Appeal – 34 CFR 668.214
- Average Rates Appeal – 34 CFR 668.215
- Thirty-or-Fewer Borrowers Appeal – 34 CFR 668.216

Additional information about the CDR process is available in DCL GEN-14-03. For official descriptions, requirements and submission deadlines, institutions should refer to the [Cohort Default Rate Guide](#) available on the Information for Financial Aid Professionals website at <http://www.ifap.ed.gov/DefaultManagement/finalcdrg.html>. There is also a webinar recording ([DCL ANN-14-02](#)) and an online training module ([DCL ANN-14-04](#)) available for default aversion and management training purposes.